USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network
Template Version 2.07

Required Report - public distribution

Date: 12/30/2005

GAIN Report Number: TW6001

Taiwan

Oilseeds and Products

Annual Report 2006

2006

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Report Highlights:
Soybean imports are forecast to remain at the 2004/05 level of 2.255 million metric tons in 2005/06 and 2006/07. In-spite of the removal of Tariff Rate Quotas on most poultry and pork products at the start of 2005, and avian influenza, animal production and feed demand are forecast to be relatively stable. In addition, the niche market for food grade non-biotech soybeans is growing very rapidly.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Taipei [TW1]
[TW]

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Executive Summary

Soybean imports for 2005/06 and 2006/07 are forecast to remain unchanged from 2004/05 at 2.255 million metric tons. An increase in demand for soybean meal for hog production is forecast to partially offset a reduction in soybean meal demand due to a decrease in poultry production. The U.S. share of the soybean import market returned to its historical level of 70-75 percent in 2004/05, up from 61 percent in 2003/04. Over the next few years, lower priced imported soybean meal may displace addition quantities of soybean meal from locally crushed soybeans.

The local livestock sector is relatively competitive with imports. Domestic pork production is estimated to have increased by one percent in 2005, in spite of the fact that Taiwan lifted its import quota limitation on pork and poultry meat and products in January 2005. An increase in local pork production has reduced imports in 2004/05. The consumption of imported poultry is mostly limited to the HRI sector, which constituted about 17% of local consumption, or 80 thousand metric tons in 2005. Concern over the bird flu viruses reportedly reduced consumption of poultry meat and products by 30 percent in October, and will continue to influence consumption thru the first few months of 2006.

Oilseed Situation and Outlook

Imports driven by demand for food beans and crushing.

Taiwan imports almost all of its soybeans, and its demand for soybeans is composted of demand for food use, which is relatively constant, and demand for crushing, which is more variable. Taiwan has been a soybean import market and locally crushed meal has historically accounted for about 98 percent of total soybean meal consumption. However, crushers and feed millers imported larger than normal quantities of soybean meal from India and the United States, respectively, over the last two years. Soybean meal imports for 2005/06 are expected to fall to traditional levels before rebounding in 2006/07. Soybean imports for 2005/06 and 2006/07 are forecast to remain at the current level of 2.255 million metric tons.

Local Pork and Poultry Production, Trade, and Traceability

Domestic production of poultry and pork remains competitive with imports one year after the removal of the TRQ. In January 2005 quota restrictions on importation of poultry, pork and other meat products were lifted, but these commodities are still subject to Special Safeguards (SSG). Taiwan can add a 33 percent duty surcharge when import volumes rise above the trigger volume or if CIF import prices fall below the trigger price (see Table 8 for SSG trigger levels). Tariffs, including the 33.3 percent SSG surcharge, were much lower than the out of quota tariff in 2004, and imports of pork and poultry meat products exceeded trigger volumes in 2005. In 2006, the volume trigger level for poultry and pork meat products will increase significantly from the level for 2005, and the impact of pork product imports may become significant.

The local poultry and swine sectors are trying to increase their competitiveness with imported meat and poultry products by introducing a tractability system. Consumers can use an identification code to trace production information about the packaged poultry or meat products, such as who was the producer, where the animal was raised and processed, date of processing and the sanitary quality of the meat product, and what kind of feed was used etc. The traceability system is now applied to value added production.

Poultry Production and Imports

Imported poultry is expected to be limited to HRI use, and is expected to remain at about 80,000 metric tons. Local poultry production in 2006/07 is expected to increase to 390 million birds, after falling in 2004/05 and 2005/06 due mainly to concerns about bird flu. Reportedly, there was a 30 percent decrease in poultry meat consumption in October 2005. Taiwan authorities have begun a consumer education program on bird flu in an attempt to reduce consumer fears.

Local Pork Production and Imports

The local swine sector is relatively competitive with imported products. According to the May 2005 hog consensus, the hog standing population was 7.17 million head, a 6.45 percent increase from November 2004. Total hog production in 2005 is estimated to have increased one percent from last year. Hog prices at the wholesale level are also 10 percent lower than last year, which has made local pork more competitive with imported pork. Pork production in 2005/06 and 2006/07 is anticipated to return to 2003/04 levels.

Soybean Crush

The soybean crush is forecast to remain at about 1.7 million metric tons in 2005/06 and 2006/07, in line with local livestock and poultry production. Locally crushed soybeans supply almost all soybean meal consumed in Taiwan. This is partly due to steady demand for soybean oil.

Food Soybeans

Although about 89 percent of soybeans are used for animal feed, Taiwan has a strong market for soybeans for food use that is estimated at about 255 thousand metric tons. Most of this is consumed as tofu and soymilk, and the estimate is based on sales by crushers of sorted US#2 beans. In 2004/05, approximately 20 thousand metric tons of food beans were identity-preserved (IP), non-GM "food grade", and/or organic beans. Of this total, the US supplied about 12 thousand metric tons (with a 20% increase over last year), Canada 4 thousand metric tons (a 56% increase), Australia 2 thousand metric tons (a 76% growth), South Africa one thousand metric tons and all other countries combined supplied the remaining one thousand metric tons.

The market for non-biotech food grade soybeans grew at about 60 percent in 2003/04 and at about 40 percent in 2004/05. It is being driven by the adoption of mandatory bio-engineered food labeling requirements that came into effect on January 1st 2004 for some products and on January 1st 2005 for more processed products. Taiwan's draft biotechnology act requires that all GM products be labeled. It is anticipated that local demand for Non-GM, or IP beans will continue to increase rapidly. Reportedly, some major #2 bean distributors are planning to enter the non-GM bean market in 2006. Taiwan's demand for IP beans for 2005/06 is anticipated to increase to 25 thousand metric tons - according to local package tofu and soymilk processors.

Market Share

According to our estimates, The United States had a 72 percent share of 2004/05 imports, an 11-percentage point increase from a year earlier. In recent years, U.S. soybeans have been facing strong competition from South American soybeans. Price competition may stimulate additional interest in South American beans, or in less expensive soybean meal from India or the U.S. Despite these changes, the United States is expected to retain its leading position in the Taiwan soybean market because of increasing U.S. attention to quality, the year-round availability of U.S. soybeans, and the reliability of U.S. supplies. U.S. market share is expected to average about 70-75 percent.

PRC Trade

Taiwan still bans most imports of PRC soybean and products. However, since 2003 Taiwan has allowed industrial associations of soybean food processors to import a small quantity of PRC soybeans for use in food processing on a special import permit basis. Taiwan imported 40 mt and 42 mt of soybeans from Mainland China in 2003 and 2004, respectively. While no PRC soybean meal has been imported, Taiwan temporarily lifted the import ban on PRC soybean meal from November 18, 2003 to January 31, 2004. Over the next few years, these restrictions on soybeans and other PRC agricultural products may be gradually relaxed. As of December 14, 2005, Taiwan permitted the import of products from the PRC in 63 percent of its agricultural and food product customs categories. The availability of cheap PRC soybean meal will likely result in renewed pressure to open the Taiwan market permanently.

Container Shipments

About 420 thousand metric tons of soybeans, accounting for 18 percent of soybean imports, were reportedly shipped to Taiwan using shipping containers because of attractive discounts offered sea lines. While local importers are pleased with the quality of U.S. soybeans shipped in containers, these shipments sometimes have higher foreign material contents and may be at risk of ragweed (Ambrosia trifida L.) contamination. Ambrosia trifida L. is not endemic to on Taiwan and is a regulated pest. If Ambrosia trifida L. is detected the shipment will be rejected.

Oilmeal Situation and Outlook

Consumption & Trade

Total feed demand is estimated at 7.3 million metric tons in 2005, and forecast at 7.0 and 7.2 million metric tons in 2006 and 2007 respectively. These estimates are consistent with stable hog production and reductions in poultry production of 5.5, and 10.2 percent in 2005 and 2006 respectively, followed by a 10.2 percent increase in 2007. Taiwan's demand for soybean meal is forecast to decline in line with the anticipated decline in feed demand. While feed millers generally source soybean meal from the lowest cost local supplier, they imported high protein soybean meal from the U.S. in 2004/05. In 2003/04 crushers imported low cost Indian soybean meal as a substitute for locally crushed meal. Soybean meal imports in 2004/05 represented 5 percent of total consumption. It is anticipated that soybean meal imports will fall to approximately 40 thousand metric tons in 2005/06 before returning to the current level of approximately 90 thousand metric tons in 2006/07.

Soymeal Inclusion Remains High

The feed inclusion rate of soybean meal remained at a relatively high 23 to 24 percent of feed production in 2004/05. Full fat meal and dehulled high protein meal with CP 47.5% or above remained popular, with a premium of NT$0.7/kg over conventional soy meal with CP at 42.5%. The production of full fat soybeans is estimated at 300 thousand metric tons, unchanged from a year earlier, and dehulled soy meal is estimated to have to declined to 200 thousand metric tons because of imported high protein meal from the United States. (Note: Full fat soy soybeans are indicated as feed use beans in the PSD Table. Full fat soybeans were included as beans for crushing in previous reports. Meal and oil extraction rates are adjusted accordingly.)

The use of other types of oil meals remained low. In 2004/05, the feed inclusion rate of fishmeal was estimated at 3.2 percent, a 0.2 percent increase from a year earlier, while the total for other oilseed meals (HS2306) remained at 3.1 percent. Local feed mills have also started to introduce fermented full fat meal as a substitute for dairy products in feed rations.

There are no import statistics in 2004/05 for milk powder (HS0402.2910) and whey (HS0404.1010) for feed use. Increased distillers dried grain (DDGS) imports may substitute for soybean meal imports. In addition to the 19 thousand metric tons of DDGS that were imported under HS2303 in 2004/05, 20 thousand metric tons may have been imported under HS2306.7000, which has a zero percent rather than a three percent duty rate.

Oil Situation and Outlook

Consumption & Trade

Oil Imports

Vegetable oil consumption in 2004/05 Taiwan is estimated at 563 thousand metric tons (see Table 13). Soybean oil's market share dropped by 6 percentage points, with palm oil's share rising by the same amount due to relative market prices (see Table 12). Imported soy oil supply decreased approximate 30 thousand tons compared to a year earlier. Total vegetable oil consumption for the coming two years is forecast to remain at 2004/05 levels. Taiwan maintained its relatively high level of oils and fats consumption of 25.11 kg per capita in 2004/05. The Protein:Fat:Carbohydrate (PFC) ratio was 13:39:48, compared with the recommendation of 12:25:63.

Competition between Oils

There are three segments in the Taiwan vegetable oil market:

1) Market leaders: these are soybean oil and palm oil, with market shares of 61% and 25% respectively in 2004/05.
2) New-to-market oils: olive, canola, corn, sunflower, and safflower oils with a combined 11% share.
3) Traditional Chinese oils: peanut and sesame oil with a combined 3% share.

Despite post-WTO tariff reductions for new-to-market oils (see Table 11), soybean oil and palm oil are expected to retain their market leading position because of their widespread use in the HRI and food processing sectors. A reduction in the soybean crush will likely boost import demand for soy oil and new-to-market oils - in particular canola oil and sunflower oil which compete with soy oil in household use. However, the relatively high prices of new-to-market oils have prevented them from gaining market share.

The tariff rates on soybean oil, sunflower oil, safflower oil, and corn oil are fixed at 5 percent, however the tariff rates on olive and canola oil will be reduced gradually to 0 and 4 percent, respectively, by 2007. This is unlikely to increase market competition for imported U.S. sunflower oil and domestic crushed soy oil, however, not only because of the small size of the tariff reduction, but because olive oil is not well suited to Chinese cuisine and canola oil is under increasing scrutiny because it is derived from biotech crops. However, the increasingly health conscious Taiwan market may demand increasing quantities of NuSun oil, which is non-GM and has lower saturated fats.

Biodiesel

The American Soybean Association has been working with Taiwan authorities to encourage the use of biodiesel since 1995. The Taiwan Environmental Protection Agency approved B20 (20 percent biodiesel) as a clean fuel in November 2000 and successful tests were complete on Taipei city garbage trucks in 2002. In 2004, Taiwan built its first biodiesel plant and produces biodiesel from recycled cooking oil. The current output is one million liter a year from about the same amount of cooking oil. Taiwan authorities at the Council of Agriculture (COA) have launched a trail planting program to grow sunflower, rape and soybean crop in three selected set-aside paddy fields, 10 hectares each in Southern, Central and Northern Taiwan out of 250,000 hectares of total fallowed

land. There are also reports that a firm plans to establish facilities to convert imported palm oil into biodiesel, and that another firm has developed a new process, using nanotechnology, to turn vegetable oil into biodiesel.

Tables

Table 1: Soybean PSD

PSD Table

Country	**Taiwan**						
Commodity	**Oilseed, Soybean**				(1000 HA)(1000 MT)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Planted	0	0	0	0	0	0	(1000 HA)
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	82	81	117	110	82	110	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	2300	2255	2210	2255	0	2255	(1000 MT)
MY Imp. from U.S.	0	1626	0	1650	0	1630	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	2382	2336	2327	2365	82	2365	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Crush Dom. Consumption	2010	1671	1990	1700	0	1700	(1000 MT)
Food Use Dom. Consump.	255	255	255	255	0	255	(1000 MT)
Feed,Seed,Waste Dm.Cn.	0	300	0	300	0	300	(1000 MT)
TOTAL Dom. Consumption	2265	2226	2245	2255	0	2255	(1000 MT)
Ending Stocks	117	110	82	110	0	110	(1000 MT)
TOTAL DISTRIBUTION	2382	2336	2327	2365	0	2365	(1000 MT)
Calendar Year Imports	0	2025	0	2350	0	2218	(1000 MT)
Calendar Yr Imp. U.S.	0	1138	0	1700	0	1630	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Table 2: Soybean Meal PSD

PSD Table

Country	Taiwan						
Commodity	Meal, Soybean				(1000 MT) (PERCENT)		
	2004 USDA Official [Old]	Revised Post Estimate [New]	2005 USDA Official [Old]	Estimate Post Estimate [New]	2006 USDA Official [Old]	Forecast Post Estimate [New]	UOM
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Crush	2010	1671	1990	1700	0	1700	(1000 MT)
Extr. Rate, 999.9999	0.789552	0.804309	0.788945	0.790588	0	0.790588	(PERCENT)
Beginning Stocks	52	124	27	72	25	50	(1000 MT)
Production	1587	1344	1570	1344	0	1344	(1000 MT)
MY Imports	90	86	90	42	0	89	(1000 MT)
MY Imp. from U.S.	0	75	0	35	0	75	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	1729	1554	1687	1458	25	1483	(1000 MT)
MY Exports	8	5	7	5	0	3	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump.	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Consum	1694	1477	1655	1403	0	1452	(1000 MT)
TOTAL Dom. Consumption	1694	1477	1655	1403	0	1452	(1000 MT)
Ending Stocks	27	72	25	50	0	28	(1000 MT)
TOTAL DISTRIBUTION	1729	1554	1687	1458	0	1483	(1000 MT)
Calendar Year Imports	0	77	0	42	0	89	(1000 MT)
Calendar Yr Imp. U.S.	0	33	0	35	0	75	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Table 3: Soybean Oil PSD

PSD Table

Country Taiwan

Commodity Oil, Soybean

(1000 MT)(PERCENT)

	2004 USDA Official [Old]	Revised Post Estimate [New]	2005 USDA Official [Old]	Estimate Post Estimate [New]	2006 USDA Official [Old]	Forecast Post Estimate [New]	UOM
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Crush	2010	1671	1990	1700	0	1700	(1000 MT)
Extr. Rate, 999.9999	0.171642	0.179533	0.171859	0.18	0	0.18	(PERCENT)
Beginning Stocks	58	41	30	30	27	30	(1000 MT)
Production	345	300	342	306	0	306	(1000 MT)
MY Imports	30	35	45	30	0	30	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	433	376	417	366	27	366	(1000 MT)
MY Exports	1	1	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	15	15	15	15	0	15	(1000 MT)
Food Use Dom. Consump.	387	330	375	321	0	321	(1000 MT)
Feed Waste Dom. Consum	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	402	345	390	336	0	336	(1000 MT)
Ending Stocks	30	30	27	30	0	30	(1000 MT)
TOTAL DISTRIBUTION	433	376	417	366	0	366	(1000 MT)
Calendar Year Imports	0	40	0	30	0	30	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Table 4: Soybean Imports

Import Trade Matrix

Country Taiwan

Commodity Oilseed, Soybean

Time Period	10/2004	Units:	1,000 mt
Imports for:	2004		**2005**
U.S.	1626	U.S.	1650
Others		Others	
Brazil	499	Brazil	500
Argentina	122	Argentina	95
Canada	4	Canada	4
Australia	2	Australia	3
South Africa	1	South Africa	1
Total for Others	628		603
Others not Listed	1		2
Grand Total	2255		2255

Table 5: Soybean Meal Imports

Import Trade Matrix

Country Taiwan

Commodity Meal, Soybean

Time Period	10/2004	Units:	1,000 mt
Imports for:	2004		**2005**
U.S.	75	U.S.	35
Others		Others	
India	11	India	7
Total for Others	11		7
Others not Listed			
Grand Total	86		42

Table 6: Soybean Oil Imports

Import Trade Matrix

Country Taiwan

Commodity Oil, Soybean

Time Period	10/2004	Units:	1,000mt
Imports for:	2004		**2005**
U.S.		U.S.	
Others		Others	
Argentina	18	Argentina	15
Brazil	17	Brazil	15
Total for Others	35		30
Others not Listed			
Grand Total	35		30

Table 7: Soybean Meal Prices

Prices Table

Country Taiwan

Commodity Meal, Soybean

Prices in NT Dollar per uom 100 KG

Year	2004	2005	% Change
Jan	1198	912	-24%
Feb	1177	893	-24%
Mar	1243	977	-21%
Apr	1325	976	-26%
May	1261	948	-25%
Jun	1100	933	-15%
Jul	1060	958	-10%
Aug	1063	982	-8%
Sep	1034	980	-5%
Oct	950	966	2%
Nov	933	752	-19%
Dec	938		-100%

Exchange Rate NT$33.13 Local Currency/US $

Date of Quote 12/28/2005 MM/DD/YYYY

Table 8 – SSG Triggers for imports in 2005

Category/Year	2005 Trigger Volume (MT)	Current Tariff Rate (%)	2005 Trigger Price (NT$/kg)
Pork Belly	10,066	12.5	30
Pork Offal	15,177	15	Not-established
Poultry Meat: legs & wings	19,719	20	30
Poultry Meat: other cuts	4,903	20	42
Poultry Offal	801	25	Not-established
Source: Taiwan Council of Agriculture			

Table 9 - Pork Imports vs Domestic Production and Wholesale Market

Year	Pork Imports in 1,000 mt		Domestic Pork Production in 1,000 head	Auction Price in NT$/100kg -head
	Meat	Offal		
2001	16	5	10,420	3,976
2002	19	10	10,060	4,336
2003	33	23	9,460	5,298
2004	40	38	9,410	5,912
2005 (esti.)	25	20	9,500	5,336
2006 (fore.)	35	26	9,450	5,300
2007 (fore.)	35	26	9,400	5,300

Source: Council of Agriculture (COA) and National Animal Industry Foundation (NAIF).

Table 10 – Total Poultry Meat Imports vs Domestic Production

Year	Chicken Meat Imports in 1,000 mt	Domestic Poultry Production in 1,000,000 birds	Farm Price in NT$/kg
2001	19	415	30.96
2002	28	415	33.70
2003	37	409	33.37
2004	46	417	33.73
2005 (esti)	80	394	33.95
2006 (fore.)	80	354	33.00
2007 (fore.)	80	390	33.00

Source: Council of Agriculture (COA) and National Animal Industry Foundation (NAIF).

Table 11 - Tariff Rates for Edible Oils and Oil Seeds

HS Code	Seed/Oil	Tariff before WTO accession	Current Tariff	Tariff in 2007
1201.00	Soybeans	0	0	0
1507	Soybean Oil	6	5	5
1513.21.10 & 1513.29.10	Palm Kernel Oil	1.25	0	0
1511	Palm Oil	2.5	0	0
1513.11 & 1513.19	Coconut Oil	3	0	0
1509 & (1510)	Olive Oil	5	**1.6** (5)	0
1205.00.10	Rape Seeds	3.5	0	0
1514	Rape (Canola) Oil	6	5	4
1515.21 & 1515.29	Corn Oil	7.5	**4.7**	5
1207.60.00	Safflower Seeds	9	0	0
1512.11.20 & 1512.19.20	Safflower Oil	12.5	5	5
1206.00.00	Sunflower Seeds	11	0	0
1512.11.10 & 1512.19.10	Sunflower Oil	15	5	5
Source: Taiwan Customs Tariff Schedule				

Table 12 – Oil Prices, CIF Taiwan, USD/Kg

Type of Edible Oil	MY 2002/03	MY 2003/04	MY 2004/05
Palm Oil	$0.36	$0.50	$0.44
Canola Oil	$0.68	$0.72	$0.64
Sunflower Oil	$0.65	$0.70	$0.70
Soybean Oil	$0.54	$0.62	$0.52
Source: Taiwan Customs			

Table 13 – Oil Imports & Production, 1,000 MT

Type of Edible Oil	MY 2002/03	MY 2003/04	MY 2004/05
Palm Kernel Oil	1.1	0.9	1.4
Palm Oil	96.8	109.5	138.3
Coconut Oil	8.0	5.8	7.0
Olive Oil	5.5	4.5	4.5
Canola Oil	18.0	25.2	27.0
Corn Oil	0.1	0.0	0.0
Sunflower Oil	26.9	26.3	24.2
Safflower Oil	0.1	0.1	0.1
Total Non-Soy Imports	**156.5**	**172.3**	**202.4**
Soybean Oil Imports	39.0	61.0	34.6
Taiwan Soybean Oil Production	355.0	315.0	310.0
Chinese traditional oil: Peanut Oil	9.0	8.1	8.1
Chinese traditional oil: Sesame Oil	9.5	13.2	13..2
Source: Taiwan Customs Statistics			